BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2022-52-E - ORDER NO. 2022-288

APRIL 28, 2022

IN RE: Dominion Energy South Carolina, Incorporated's 2022 Annual Update on Demand Side Management Programs and Petition to Updated Rider (*This Filing Includes a Request for a Rate Increase*)	)	ORDER APPROVING RATE RIDER CHANGE AND ADDRESSING CERTAIN DEMAND SIDE MANAGEMENT PROGRAMS AND RELATED ISSUES

I. INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (the Commission) pursuant to S.C. Code Ann. § 58-37-20 (2015) and S.C. Code Ann. Regs. 103-819 and 103-825 (2012) and in compliance with Order No. 2010-472, as affirmed and modified by Order Nos. 2013-826 and 2019-880, for consideration of Dominion Energy South Carolina, Inc.'s (Dominion, DESC, or the Company) 2022 Annual Update on Demand Side Management Programs and Petition to Update Rider.

The Company submitted for review information concerning the current status of Dominion's demand reduction and energy efficiency (Demand Side Management or DSM) programs and petitions the Commission for authorization to update its "Rider to Retail Rates – Demand Side Management Component" (DSM Rider) to provide for the recovery of the Company's costs and net lost revenues associated with its DSM programs, along with an incentive for investing in such programs, effective for bills rendered on and after the first billing cycle of May 2022. The Office of Regulatory Staff (ORS) reviewed Dominion's Petition and filed a report detailing that review.

II. NOTICE AND INTERVENTION

By letter dated February 9, 2022, the Clerk's Office of the Commission instructed the Company to publish, on or before March 28, 2022, a Notice of Filing (the Notice) in newspapers of general circulation. Among other things, the Notice provided information regarding the nature of the proceeding and advised any interested person desiring to participate as a party of record to file a Petition to Intervene on or before April 11, 2022. On March 30, 2022, the Company filed affidavits demonstrating that the Notice was duly published in accordance with the instructions set forth in the February 9, 2022, letter of the Clerk's Office. The United States Department of Defense and All Other Federal Executive Agencies (DoD/FEA) filed its Petition to Intervene on March 8, 2022. Walmart, Inc. (Walmart) filed its Petition to Intervene on March 15, 2022. The South Carolina Coastal Conservation League and the Southern Alliance for Clean Energy (together, the CCL/SACE) filed their Petition to Intervene on March 28, 2022. Dominion did not oppose the Petitions to Intervene, and no other parties sought intervention. The ORS is a party of record pursuant to S.C. Code Ann. § 58-4-10(B) (Supp. 2021).

III. BACKGROUND

By Order No. 2010-472, as affirmed and modified by Order No. 2013-826 and Order No. 2019-880, the Commission approved Dominion's suite of DSM programs and authorized the Company to continue its DSM Rider. The DSM Rider is designed to allow the Company to recover the costs and net lost revenues associated with its DSM programs along with a shared savings incentive. In Order No. 2019-880, the Commission instructed Dominion to continue to file an annual report in January of each year as directed in Order No. 2010-472 and Order No. 2013-826 and to continue to do so each January through the life of the DSM programs. The annual filing must set forth the programs, net lost revenues, program costs, shared savings incentive, net program benefits, and other items as appropriate. Moreover, the annual filing must encompass the twelve-month period beginning December 1 and ending November 30. For this annual filing, the prior review period is December 1, 2019, to November 30, 2020 (Program Year 10); the current review period is December 1, 2020, to November 30, 2021 (Program Year 11); and the forecasted period is December 1, 2021, to November 30, 2022 (Program Year 12).

IV. RATE RIDER

Dominion requests recovery of a total of $59,918,731 in this filing. The Company asserts that it is entitled to recover $39,292,451 as an amortization of Program Costs, with carrying costs, or 66% of the total requested amount. Net Lost Revenues (NLR) constitute $17,947,625, or 30% of the total requested amount. DESC does not amortize its NLR and recoups the total amount during the Recovery Period. The Shared Savings Incentive (SSI) is $2,678,655, or 4% of the total requested amount. SSI is amortized over 5 years without carrying costs. For the programs currently in place, the Company estimates that average lifetime costs will be 2.47 cents/kWh saved. The total unamortized cost for DESC's programs to date is $90,249,199. This amount includes the Program Costs balance of $58,908,299 (65% of the total unamortized cost); NLR of $17,947,625 (20% of the total unamortized cost); and SSI of $13,393,275 (15% of the total unamortized cost). The

Office of Regulatory Staff states that the updated DSM Rider was developed in accordance with the terms and conditions set forth in Order Nos. 2010-472, 2013-826, and 2019-880.

To recover these amounts, the Company requests approval of the following DSM Rider figures: $0.00307 per kilowatt-hour for residential customers, $0.00620 per kilowatt-hour for small general service customers, $0.00324 per kilowatt-hour for medium general service customers, and $0.00145 per kilowatt-hour for large general service customers. Based upon the foregoing, the DSM Rider for a residential customer will increase from $0.00221 to $0.00307 per kilowatt-hour. The Company and ORS estimate this will cause the bill of an average residential customer using 1,000 kilowatt-hours per month to increase by approximately $0.86.

V. DSM PROGRAMS

Dominion currently offers ten (10) DSM programs, seven (7) residential programs – Home Energy Check-up, ENERGY STAR Lighting, Heating & Cooling, Home Energy Reports, Neighborhood Energy Efficiency Program (NEEP), Appliance Recycling, and Multifamily – and three (3) commercial and industrial programs – EnergyWise for Your Business, Small Business Energy Solutions, and Municipal LED Lighting. ORS is concerned that since PY4, the Company's actual energy savings have fallen well short of the Company's projections of energy savings. The Commission, in Order No. 2021-295, required the Company to revisit the methodology employed to generate the projected Programs' savings to ensure better alignment with the Company's future actual realized savings. The Company reported it has started to address the issue of the shortfall in savings projections and is currently working with third-party evaluator, Opinion Dynamics

Corporation (ODC) to complete a market assessment that will provide reliable data updates to be used in the DSM Potential Study, currently underway and to be completed in 2023. ORS hopes the updated data from ODC's market assessment, together with the DSM Potential Study, will lead to more reliable information that will assist the Company to better align their savings projections with actual realized savings.

ORS is also concerned that the Home Energy Check-up program has failed to be cost effective in Program Years 8, 9, and 10, and is projected to fail the cost-effectiveness test for PY11 as well. The Company reported starting additional activities, including increasing the number of installed LED bulbs from five (5) bulbs to an unlimited number of incandescent bulb replacements and providing new direct install measures (LED outdoor lighting, smart power strips, shower timers) to be included with the existing measures offered to address the decline in cost-effectiveness of the program, but because of COVID restrictions, improvement to the cost-effectiveness has not yet been realized. ORS commended the Company on the actions taken to attempt to improve the cost-effectiveness of the program and states that it will use the results of PY12 to make a recommendation on whether to keep the program active or terminate the program for failure to achieve cost-effectiveness.

ORS reports the Company made the following major changes to its program offerings during Program Year 11:

- The Home Energy Reports Program finalized the transition from an opt-in program to an opt-out program, in which participants with the ability to opt-out are pre-selected by the Company;

- Tier 2 of the Home Energy Check-up program was launched in April 2021 after being limited by the COVID-19 pandemic. However, the Company developed a virtual Home Energy Check-up to allow participation without in-person visits;

- In response to the COVID-19 pandemic, the Company developed an Energy Efficiency kit for the NEEP program that could be delivered without entering homes. A total of 4,197 kits were distributed to customers who did not receive the full in-person NEEP service;

- In the Appliance Recycling program, the Company continued its no-contact option to allow the continuation of pickups and implemented a strategic marketing plan;

- The Heating and Cooling program added rebates for customers willing to replace old electric water heaters and old electric furnaces;

- The Multifamily program solicited approximately twenty (20) properties in Columbia and Charleston for participation in the program. Additional measures were also added;

- The Company continues to work with municipalities to encourage participation in the Municipal LED Lighting program. During PY11, thirty-nine (39) contracts were signed, and sixteen (16) projects were completed;

- Three (3) new components were added to the EnergyWise for Your Business program and the program incentive cap was increased; and

- HVAC audits and related measures were added to the Small Business Energy Solutions program.

VI. INTERVENOR COMMENTS AND ADVISORY GROUP UPDATES

According to Walmart, it performed a review of the Company's filing along with the supporting documentation and asserts it has no comments or issues with respect to the filing or DSM Rider. However, Walmart states it will continue to collaborate with Dominion and other interested parties concerning the Company's programs in the future.

CCL/SACE recommended that the comment deadline in the procedural schedule in DESC's EE/DSM proceedings be placed in the procedural schedule moving forward. CCL/SACE's additional recommendations concerned (1) improved effectiveness of DESC's behavioral programs, such as the Home Energy Reports; (2) adoption of additional annual reporting protocols; and (3) explanations in the annual Evaluation, Measurement & Verification (EM&V) filings of any programs for which DESC did not achieve the projected savings and steps taken to address shortfalls.

DoD/FEA filed a Motion to file Comments Out of Time. This Motion was granted by Commission Order No. 2022-289, and DoD/FEA's comments were accepted.

According to ORS, the DESC DSM Advisory Group formed pursuant to Order No. 2010-472 (Advisory Group) meets to discuss the status of each program, including preliminary participation statistics, EM&V plans, and preliminary EM&V data. The Advisory Group met five times during PY11. During the meetings, DESC provided updates on the status of the new DSM Market Potential Study, the impacts of the COVID-19 pandemic on the programs, EM&V results for PY10, and issues concerning low-income participants.

VII. DESC Modification to DSM Rider Opt-Out Provision

As part of its filing, DESC sought to change its opt-out applicability language. The present provisions allow customers to opt-out of its DSM programs and costs if the customers are industrial customers as defined in Rate 23. In Docket No. 2020-125-E, the Commission approved a revision to the Availability criteria of the Company's Rate 23 tariff, which removed the definition of an industrial customer from that tariff. As a result of this revision, a disconnect now exists between the revised Rate 23 tariff, which no longer defines industrial customers, and the reference to "Industrial customers as defined in Rate 23 in the DSM Rider's opt-out provisions. In this case, to eliminate this disconnect, the Company proposes a revision to the opt-out provision to specifically include the definition of industrial customers that was previously included in the Rate 23 prior to the revisions approved in Docket No. 2020-125-E. Specifically, the Company is seeking to change the applicability language to the following:

> ..those customers classified in the major industrial group of manufacturing with 10-14 or 20-39 as the first two digits of the Standard Industrial Classification ["SIC"] or 21 or 31-33 as the first two digits of the six digit North American Industry Classification System ["NAICS"] remain eligible for the opt-out.. Dominion Amended Annual Update on DSM Programs and Petition to Update Rider, pp. 20-21.

DESC characterizes this change as "simply a clarification for the benefit of customers and does not alter the application or operation of the opt-out provision in the DSM Rider." DoD/FEA asserts in its Comments, however, that this change excludes certain Rate 23 customers. DoD/FEA proposes that the revision read as follows: "Customers eligible for Rate 23 are eligible to opt-out of DSM programs and costs."

DoD/FEA argues that this proposed revision is consistent with the Commission's determination in DESC's last rate case in Docket No. 2020-125-E.

In its letter, dated April 21, 2022, DESC notes that it does not object to the DoD/FEA proposed modification to the opt-out provision. Accordingly, this Commission believes that the DoD/FEA proposed language for modification of the opt-out provision should be adopted, to wit: Customers eligible for Rate 23 are eligible to opt-out of DSM programs and costs.

VIII. FINDINGS OF FACT AND CONCLUSIONS OF LAW

Based on the Record of this case, the Commission makes the following Findings of Fact and Conclusions of Law:

1 The Dominion proposed DSM Rate Rider should be approved. ORS agrees.

2. The Commission finds and concludes that Dominion administered its Demand Side Management programs under the current review period pursuant to S.C. Code Ann. § 58-37-20 (2015) and S.C. Code Ann. Regs. 103-819 and 103-825 (2012). In addition, we hold that they were developed in accordance with the terms and conditions set forth in Commission Order Nos. 2010-472, 2013-826, and 2019-880.

3. The Commission agrees with ORS that the Company's actual energy savings have fallen well short of the Company's projections of energy savings for several years. The Commission, in Order No. 2021-295, required the Company to revisit the methodology employed to generate the projected Programs' savings to ensure better alignment with the Company's future actual realized savings. The Company reported it has started to address the issue of the shortfall in savings projections and is currently working

with third-party evaluator, ODC to complete a market assessment that will provide reliable data updates to be used in the DSM Potential Study, currently underway and to be completed in 2023. The hope expressed by ORS is that the updated data from ODC's market assessment, together with the DSM Potential Study, will lead to more reliable information that will assist the Company in better aligning their savings projections with actual realized savings. The Commission will examine this matter further in a future proceeding.

4. ORS has expressed its concern that the Home Energy Check-up program has failed to be cost effective in Program Years 8, 9, and 10, and is projected to fail the cost-effectiveness test for PY11 as well. The Company reported starting additional activities to be included with the existing measures offered to address the decline in cost-effectiveness of the program, but because of COVID restrictions, improvement to the cost-effectiveness has not yet been realized. Although ORS commended the Company on the actions taken to attempt to improve the cost-effectiveness of the program, ORS also states that it will use the results of PY12 to make a recommendation on whether to keep the program active or terminate the program for failure to achieve cost-effectiveness. The Commission will consider this recommendation in a future proceeding, along with the issue of the cost-effectiveness of the program and other DSM matters.

5. CCL/SACE recommended that the comment deadline in the procedural schedule in DESC's EE/DSM proceedings be placed in the procedural schedule moving forward. This is reasonable to ensure that potential parties have reasonable notice of this deadline, and this recommendation should be approved. However, regarding CCL/SACE's

recommendations concerning (1) improved effectiveness of DESC's behavioral programs, such as the Home Energy Reports; (2) adoption of additional annual reporting protocols; and (3) explanations in the annual EM&V filings of any programs for which DESC did not achieve the projected savings and steps taken to address shortfalls, DESC should work with the Energy Efficiency Advisory Group to address these recommendations and to report progress to the Commission within six (6) months.

6. The Energy Efficiency Advisory Group should continue to meet to discuss the status of each program, including preliminary participation statistics, EM&V plans, and preliminary EM&V data, and any other subjects relevant to DSM matters.

7. The original DESC proposed modification to the DSM Rider Opt-Out should be rejected. The substitute proposed modification of DoD/FEA should be adopted, with the consent of DESC. The new provision is as follows: "Customers eligible for Rate 23 are eligible to opt-out of DSM programs and costs." This language is consistent with language approved in DESC's last rate proceeding, which was in Docket No. 2020-125-E.

IX. ORDERING PROVISIONS

IT IS THEREFORE ORDERED THAT:

1. Dominion's update to DSM Rider is approved to provide for the recovery of Dominion's costs and net lost revenues associated with its DSM programs along with the Commission-approved shared savings incentive for investing in such programs, effective for bills rendered on and after the first billing cycle of May 2022.

2. Dominion shall file the amended DSM Rider with rates approved by this Order within ten (10) days of receipt of this Order, and also serve copies on the parties.

3. The revised rider should be electronically filed in a text searchable PDF format using the Commission's DMS System (https://dms.psc.sc.gov/). An additional copy should be sent via e-mail to etariff@psc.sc.gov to be included in the Commission's ETariff system (https://etariff.psc.sc.gov). Dominion shall provide a reconciliation of each tariff rate change approved as a result of this Order to each tariff rate revision filed in the ETariff system. Such reconciliation shall include an explanation of any differences and be submitted separately in the Commission's DMS system from the Company's ETariff filing. Each tariff sheet shall contain a reference to this Order and its effective date at the bottom of each page.

4. The Commission shall review the Company's actual energy savings as compared to its projections of energy savings in light of the Company's receipt of updated data from ODC's market assessment and the DSM Potential Study in a future proceeding.

5. The Commission shall review the cost-effectiveness of the Home Energy Check-up Program, along with other DSM matters in a future proceeding. According to ORS, it will make a recommendation based on PY12, and that recommendation will consider whether to keep the program active or terminate the program for failure to achieve cost-effectiveness. The Commission shall consider the ORS recommendation in its review of the cost-effectiveness of the Home Energy Check-up Program in future proceedings.

6. The recommendation of Southern Alliance for Clean Energy and South Carolina Coastal Conservation League that the comment deadline be placed in the procedural schedule in DESC's EE/DSM proceedings moving forward is approved. With regard to CCL/SACE's remaining recommendations, DESC should work with the

Advisory Group to address these recommendations and to report progress to the Commission within six months.

7. The Advisory Group should continue to meet to discuss the status of each program, including preliminary participation statistics, EM&V plans, and preliminary EM&V data, and any other subjects relevant to DSM matters.

8. The revision to the DSM Rider Opt-Out proposed by DESC is denied. The revision proposed by the Department of Defense and All Other Federal Executive Agencies is adopted and shall read "Customers eligible for Rate 23 are eligible to opt-out of DSM programs and costs."

9. This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:

Justin T. Williams, Chairman
Public Service Commission of
South Carolina